

## **LIST OF EXHIBITS**

- Exhibit 1, Copy of 1986 contract
- Exhibit 2, Copy of 2011 contracts
- Exhibit 3, Copy of Appleton Testimony
- Exhibit 4, LAIF transfer notices
- Exhibit 5, Grand Jury Report
- Exhibit 6, 2009 Memo to Sabrina from Jill McPeck
- Exhibit 7, and 8, Copy of emails
- Exhibit 9, Billing statement for Wallace & Associates December **1999**
- Exhibit 10, Billing statements for Wallace & Associates December **2000**
- Exhibit 11, Billing statements for Wallace & Associates December **2001**
- Exhibit 12, Billing statements for Wallace & Associates December **2002**
- Exhibit 13, Billing statements for Wallace & Associates December **2003**
- Exhibit 14, Billing statements for the Wallace Group December **2004**
- Exhibit 15, Billing statements for the Wallace Group December **2005**
- Exhibit 16, Billing statements for the Wallace Group December **2006**
- Exhibit 17, Billing statements for the Wallace Group December 2008
- Exhibit 18, Billing statements for the Wallace Group December 2009
- Exhibit 19, Billing statements for the Wallace Group November 2010
- Exhibit 20, Billing statements for the Wallace Group December 2011
- Exhibit 21, Billing statements for the Wallace Group December 2012
- Exhibit 22, Billing statements for the Wallace Group April 2013
- Exhibit 23, Spreadsheet file for the Fiscal Year 2007-2008
- Exhibit 24, Audit Report and response from District
- Exhibit 25, Table of Organization
- Exhibit 26, Copy of 1999 Resolution
- Exhibit 27, Copy of 2010 Resolution
- Exhibit 28, Copy of Agenda
- Exhibit 29, Copy of Staff Report
- Exhibit 30, Copy of 12/15/2010 Minutes
- Exhibit 31, Agenda and Minutes
- Exhibit 32, Kennedy Jenks Consulting, 2005 Report page 1-3 of report
- Exhibit 33, December 18, 2012, the Central Coast Region Water Quality Control Board Copy of Report
- Exhibit 34, Copy of Appleton emails
- Exhibit 35, January 12, 2011, the State Water Resources Control Board, Enforcement Division Disciplinary Letter.
- Exhibit 36, Copy of Operators Manual
- Exhibit 37, Bill Nicolls, Chairman of the Board of Directors

KNUDSON & ASSOCIATES  
DECEMBER 16, 2015

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Exhibit 38, Copies of Spear's Notes  
Exhibit 39, Copy of Douglas Letter  
Exhibit 39, Copy of Douglas Letter  
Exhibit 40, Wallace Billings  
Exhibit 41, Heather Billing calling card  
Exhibit 42, Emails dated July 08 to July 13, 2009  
Exhibit 43, Copy of a permit issued to the Parks & Recreation dated "9/27/04"  
Exhibit 44, Copy of a Discharge Permit Application Curt Linse, District  
Maintenance Chief III on "8/19/2009  
Exhibit 45, Copy of 2010 Memorandum  
Exhibit 46, Copy of Wallace Billing, July 2009  
Exhibit 47, Kraus Drawing  
Exhibit 48, 2009 Permit



## AGREEMENT

THIS AGREEMENT made and entered into this 16 day of August, 1986, by and between the South San Luis Obispo County Sanitation District, a political subdivision of the State of California, hereinafter referred to as "DISTRICT", and John L. Wallace of John L. Wallace and Associates, hereinafter referred to as "ENGINEER".

WITNESSETH:

WHEREAS, the DISTRICT desires to engage the service of a registered civil engineer to act for the DISTRICT as and in the capacity of the District Administrator as provided by the District's ordinances and regulations, and

WHEREAS, the ENGINEER is a registered civil engineer licensed to practice in the State of California and desires to render these professional services to the DISTRICT pursuant to the terms and conditions herein set forth.

NOW THEREFORE, in consideration of the promises and mutual covenants and agreements herein contained, the parties do mutually agree as follows:

### SECTION 1. SCOPE OF SERVICES

Pursuant to this agreement, ENGINEER shall provide the following services as requested by the DISTRICT:

- a. General administration and management of on-going DISTRICT affairs;
- b. General supervision and direction to DISTRICT staff;
- c. General engineering advice to and on the behalf of DISTRICT staff;
- d. Representation of DISTRICT at meetings as necessary to properly execute the duties and/or provide the services listed herein;
- e. Review and checking of various maps, plans permits and other documents;
- f. Design, document preparation, contract administration and inspection for DISTRICT utility and public works projects including but not limited to water, sewer, drainage and wastewater treatment projects;

- g. Other services as requested by DISTRICT and mutually agreeable to both parties.

## SECTION 2. USE OF ASSISTANTS/EMPLOYEES

To the extent reasonably necessary to enable ENGINEER to perform his duties hereunder, the ENGINEER shall be authorized to engage the services of his assistants or employees which he may deem proper. The cost of the services to the DISTRICT of such assistants or employees shall be chargeable to the DISTRICT in accordance with the schedule of fees shown herein or as mutually agreeable to DISTRICT and ENGINEER.

## SECTION 3. DIRECTION OF DUTIES TO BE PERFORMED BY ENGINEER

Services rendered pursuant to this Agreement shall be at the direction and request of the District's Board of Directors.

## SECTION 4. ENGINEER'S FEES

The DISTRICT hereby agrees to pay the ENGINEER, as compensation for his services, fees according to the following:

- a. Principal . . . . . \$45.00/hr.
- b. Registered Civil Engineer . . . . . \$37.50/hr.
- c. Associate Civil Engineer . . . . . \$32.50/hr.
- d. Construction Inspector. . . . . \$30.00/hr.
- e. Draftsmen and other Engineering  
Technicians . . . . . \$25.00/hr.
- f. Two Man Survey Crew . . . . . \$80.00/hr.
- g. Secretary/Bookkeeping/Word Processing . \$25.00/hr.
- h. Secretary . . . . . \$15.00/hr.
- i. Actual costs of direct expenses incurred for work  
and services requested by the DISTRICT, including  
but not limited to:
  - additional insurance coverage if required by the  
DISTRICT
  - automobile at \$0.25 per mile
  - lodging and meals
  - long distance telephone, telegraph
  - postage
  - cost for outside professional consultants required  
for the work, if retained and paid for by ENGINEER  
on DISTRICT's behalf, plus 15% administrative costs
  - materials required for the job and used in drafting  
and allied activities, including printing and  
reproduction costs.

## SECTION 5. INDEMNITY

DISTRICT agrees to defend, indemnify and hold harmless ENGINEER from any and all claims, disputes, controversies or lawsuits arising from or relating to work or services performed by ENGINEER pursuant to the terms of this Agreement while he is serving in the capacity of the consulting District Administrator except in the case of his willful negligence. Further, the DISTRICT shall include the ENGINEER under any Officers and Directors insurance policy it may obtain.

## SECTION 6. ENTIRE AGREEMENT

This agreement supersedes any and all other agreements, either oral or in writing, between the parties hereto with respect to the subject matter hereof, and no other agreement, statement, or promise relating to the subject matter of this Agreement which is not contained herein shall be valid or binding.

## SECTION 7. AMENDMENTS TO AGREEMENT

This agreement may be amended from time to time by the mutual written consent of the DISTRICT and the ENGINEER.

## SECTION 8. ASSIGNMENT

Neither this agreement nor any duties or obligations hereunder shall be assignable by the ENGINEER without the prior written consent of the DISTRICT.

## SECTION 9. TERMINATION

Either party may terminate this Agreement with thirty (30) days prior written notice provided to the other party.

## SECTION 10. ATTORNEY'S FEES

If any action of law or in equity is brought to enforce or interpret the provisions of this Agreement, the prevailing party shall be entitled to reasonable attorney's fees in addition to any other relief to which he may be entitled.

## SECTION 11. NOTICES

Any notice required to be given pursuant to the terms and provisions hereof shall be in writing and shall be sent by first class mail to the DISTRICT at:

SSLOCS  
P.O. Box 339  
Oceano, CA 93445

and to the ENGINEER at:

1329 Chorro Street  
San Luis Obispo, CA 93401

IN WITNESS WHEREOF, DISTRICT and the ENGINEER have executed this Agreement of the day and year first hereinabove set forth.

SSLOCSD

By: Ruth E. Brackett  
Ruth Brackett, Chairman, Board of Directors

By: John L. Wallace  
John L. Wallace for  
John L. Wallace and Associates

ATTEST:

APPROVED AS TO FORM:

Gerald W. Shipsey  
Gerald Shipsey, District Attorney





**SOUTH SAN LUIS OBISPO COUNTY SANITATION DISTRICT  
DISTRICT ADMINISTRATOR  
PROFESSIONAL SERVICES CONTRACT**

**THIS CONTRACT** amends and replaces in total the original Agreement (dated March 19, 1986, between the South San Luis Obispo Sanitation District and John L. Wallace, Engineer).

**THIS CONTRACT** is between the South San Luis Obispo County Sanitation District, a political subdivision of the State of California (herein referred to as "District"), and John L. Wallace (herein referred to as "District Administrator"), with reference to the following recitals:

**RECITALS**

- A. District is a County Sanitation District organized and operating pursuant to Health & Safety Code § 4700 et seq., of the California Health & Safety Code.
- B. John Wallace is presently under contract by the District pursuant to an Agreement dated March 19, 1986, to provide services as both the District Administrator and District Engineer.
- C. The scope of work and position description are set forth in the Agreement dated March 19, 1986. This Contract constitutes an amendment to the original Agreement and constitutes a complete restatement of same.

**NOW, THEREFORE**, in consideration of the mutual covenants herein contained, the parties agree as follows:

**SECTION 1. DUTIES**

- A. District hereby agrees to contract with John Wallace as District Administrator.
  - 1. The duties of the District Administrator are at the direction and request of the District Board of Directors and are generally described in Health & Safety Code § 4700 as follows:
    - (a) The implementation of the policies established by the Board of Directors for the operation and administration of the District.

- (b) The appointment, supervision, discipline and dismissal of the District's employees, consistent with the District Personnel Policy established by the Board of Directors.
  - (c) The overall administration and management of the District's facilities and services.
  - (d) Provide general direction and supervision of the Plant Superintendent, recognizing that the Plant Superintendent has the responsibility for direct supervision of plant employees as well as plant operations.
  - (e) The administration of the District's finances.
  - (f) Liaison with member agencies and all regulatory agencies.
  - (g) Regularly update regulatory documents necessary to endeavor to keep the District in compliance with requirements of applicable State or Federal agencies.
- B. It is acknowledged that specific duties of the position may vary on occasion and thus require a degree of flexibility on the part of the Board and the District Administrator.
- C. It shall be the responsibility of the District Administrator to communicate with the Board of Directors and/or District Counsel whenever there are questions or clarifications relative to the scope of work as defined in this contract.
- D. The District Administrator may enlist the services of the District Engineer as well as professional staff from the Wallace Group to fulfill specific support tasks necessary for the completion of Board approved projects or administrative activity. Costs associated with these services shall be projected and identified in advance of work performed whenever possible, and in all cases, clearly identified in the monthly report.

## **SECTION 2. TERM**

This Contract shall take effect on July 20, 2011, ("Effective Date") and shall remain in effect until terminated as provided in the following provisions:

- A. Nothing in this Contract shall prevent, limit or otherwise interfere with the right of the District to terminate the services of the District Administrator at

any time, subject only to the provisions set forth in Section 2C of this Contract.

1. District Administrator understands and expressly agrees that he has no constitutionally protected property right or interest in his Contract as District Administrator.
- B. Nothing in this Contract shall prevent, limit or otherwise interfere with the right of the District Administrator to resign at any time from his/her position with the District, subject only to the provisions set forth in Section 2C of this Contract.
- C. The District Administrator shall serve at the will and pleasure of the District Board of Directors and may be terminated with or without cause. In the event the District Administrator voluntarily resigns his position with the District, the District Administrator shall give the District thirty (30) days written notice in advance, unless the parties otherwise agree.

### **SECTION 3. PAYMENT FOR SERVICES**

- A. District agrees to pay the District Administrator for services rendered pursuant hereto on a time and material basis. These services, including those required of assistants and of the District Engineer, shall be invoiced monthly on an accrued basis. All costs associated with administration, including the use of the District Engineer's time to perform the duties under this contract, shall be invoiced under the District Administration policy.
- B. Reimbursables will be invoiced as an additional cost.
- C. The District Administrator shall on an annual basis at the time that the District adopts its annual budget, provide a budgetary amount that will be approved by the Board of Directors for the provision of these services. The District Administrator is required to strictly comply with the budget approved by the District Board of Directors.
- D. District Administrator shall on a monthly basis provide a written report to the Board describing all District Administrator services provided for during the previous month. That report shall detail the monies associated with each cost. No payment shall be paid to the District Administrator unless and until that report is received by the Board of Directors and approved.
- E. The District Administrator shall incur no costs or reimbursables that are in excess of the budgetary amount without prior approval of the Board unless it is in an emergency situation, in which case any additional budgetary amount shall be presented to the Board at the earliest opportunity.
- F. Rates are set forth in Exhibit "A".

#### **SECTION 4. PERFORMANCE REVIEW**

- A. During the term of this Contract, there shall be a performance review of the District Administrator annually before November 30th.
- B. The Board of Directors reserves the right, in its discretion, to review District Administrator's performance at any time.

#### **SECTION 5. OTHER TERMS, CONDITIONS AND RESPONSIBILITIES**

The District may set other terms, conditions and responsibilities of the Contract as it may determine from time to time, relating to performance of the District Administrator, provided such terms and conditions are not inconsistent with or in conflict with the provisions of this Contract, or any Federal, State or local law.

#### **SECTION 6. NOTICES**

Notices pursuant to this Contract shall be in writing given by deposit in the custody of the United States Postal Service, postage prepaid, addressed as follows:

- 1. South San Luis Obispo County Sanitation District  
P.O. Box 339  
Oceano, CA 93445
- 2. John Wallace  
WALLACE GROUP  
612 Clarion Court  
San Luis Obispo, CA 93401

Alternatively, notices required pursuant to this Contract may be personally served in the same manner as is applicable to the civil judicial process. Notice shall be deemed given as of the date of personal service or as of the third day following the date of deposit of such written notice in the course of transmission in the United States Postal Service, with postage prepaid.

#### **SECTION 7. GENERAL PROVISIONS**

- A. District Administrator shall comply with applicable local and State requirements regarding conflicts of interest and shall avoid involvement in situations or demonstrate behavior which is inconsistent or incompatible with a position of District Administrator.
- B. District shall provide the defense of District Administrator and any support staff used in the administrative function, including the District Engineer, in any action or proceeding alleging an act or omission within the scope of the contract of the District Administrator in conformance with State law (Government Code Section 995 et seq.). District is not required to

indemnify District Administrator for any illegal acts committed by District Administrator.

- C. The terms of this Contract are intended by the parties as a final expression of their Contract and may not be contradicted by evidence of any prior Contract or contemporaneous oral Contract. The parties further intend that this Contract constitutes the complete and exclusive statement of its terms and that no extrinsic evidence whatsoever may be introduced in any judicial or arbitration proceeding, if any, involving this Contract. Any amendments to this Contract must be in writing and executed by both parties.
- D. In the event of District Administrator's death, District Administrator's heirs, legatees, devisees, executors or legal representatives shall be entitled to all fees earned, but not paid. District Administrator and his heirs, legatees, devisees, executors or legal representatives shall not be entitled to any other compensation, including, without limitation, any severance compensation.
- E. If any term, covenant, condition or provision of this Contract is held by a court of competent jurisdiction to be invalid, void or unenforceable, the remainder of the provisions hereof shall remain in full force and effect and shall in no way be affected, impaired or invalidated thereby.
- F. This Contract shall be governed by the laws of the State of California. The parties agree that in the event any legal action is taken to enforce/interpret any provisions of this Contract, said action shall be filed in the court of proper jurisdiction within the County of San Luis Obispo.
- G. The parties acknowledge that they understand the significance and consequences of this Contract. The parties also acknowledge that they have been given full opportunity to review and negotiate this Contract and execute it only after full reflection and analysis, and that they have had an opportunity to review this document and its application and meaning with their respective attorneys and advisors. This Contract shall not be interpreted against the party who prepared the initial draft, because all parties participated in the drafting of this Contract by having ample opportunity to review and submit suggested changes or corrections for incorporation into the final version of this Contract.
- H. This Contract shall be binding upon and shall inure to the benefit of the prospective heirs, executors, administrators, successors and assigns of the parties, provided however, that the District Administrator may not assign obligations hereunder.
- I. District Administrator shall not assign this Contract in whole or in part.

**SECTION 8. Conclusion**

1. The above Recitals are true and correct and incorporated herein by reference.
2. This Contract may be executed in two or more counterparts, each of which shall be deemed an original, and all of which together shall constitute one and the same instrument, and shall be governed by the laws of the State of California.

**IN WITNESS WHEREOF**, the parties hereto have executed this Contract on the below identified dates.

DISTRICT ADMINISTRATOR:

  
JOHN WALLACE

DATE: 7/26, 2011

Witness:

  
Secretary to the Board

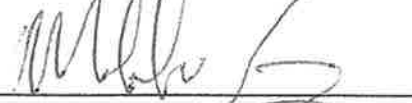
DATE: 7/26, 2011

DISTRICT:

  
BILL NICOLLS, Chairman

DATE: 7/21/11, 2011

Approved as to form:

  
MICHAEL W. SEITZ,  
District Legal Counsel

DATE: 7/21, 2011

## **SOUTH SAN LUIS OBISPO COUNTY SANITATION DISTRICT PROFESSIONAL SERVICES CONTRACT FOR DISTRICT ENGINEER**

**THIS CONTRACT** amends and replaces in total the original Agreement (dated March 19, 1986, between the South San Luis Obispo Sanitation District and John L. Wallace, Engineer).

**THIS CONTRACT** is between the South San Luis Obispo County Sanitation District, a political subdivision of the State of California (herein referred to as "District"), and Wallace Group (herein referred to as "District Engineers"), with reference to the following recitals:

### **RECITALS**

- A. District is a County Sanitation District organized and operating pursuant to Section 4700 et seq. of the California Health & Safety Code.
- B. Wallace Group is presently contracted to the District pursuant to a Contract dated March 19, 1986 for their services as District Engineers.
- C. The professional services are set forth in the Contract dated March 19, 1986. This Contract constitutes an amendment to the original Contract and constitutes a complete restatement of same.

**NOW, THEREFORE**, in consideration of the mutual covenants herein contained, the parties agree as follows:

### **SECTION 1. DUTIES**

- A. District hereby agrees to contract with Wallace Group as District Engineers to perform the following duties:
  - (1) The drafting of all Contract documents, including specifications for construction, reconstruction, maintenance or for the repair of District facilities.
  - (2) Contract Administration and inspection of all construction activities at the District including construction, reconstruction, maintenance and repair.
  - (3) Provide immediate engineering assistance when responding to District emergencies as declared by the District Administrator or Chair of the Board of Directors.
  - (4) To perform all functions required by Sanitation Engineers as defined in Health & Safety Code §§ 4739, 4748 and 4754.

- (5) To work with the District Administrator to regularly update regulatory compliance documents as required by any Federal or State Code or regulation.
- B. Both parties acknowledge that specific duties of the position may vary from time to time.
- C. It shall be the responsibility of the District Engineer to communicate with the Board of Directors and/or District Legal Counsel whenever there are questions or clarifications relative to the scope of work as defined in this contract.

## **SECTION 2. TERM**

This Contract shall take effect on July 20, 2011, ("Effective Date") and shall remain in effect until terminated as provided in the following provisions:

- A. Nothing in this Contract shall prevent, limit or otherwise interfere with the right of the District to terminate the services of the District Engineer at any time, subject only to the provisions set forth in Section 2B of this Contract.
  - 1. District Engineer understands and expressly agrees there is no right of property interest defined or implied in this Contract.
- B. District Engineer shall serve at the will and pleasure of the District Board of Directors and may be terminated with or without cause. In the event the District Engineer voluntarily resigns his position with the District, the District Engineer shall give the District thirty (30) days written notice in advance, unless the parties otherwise agree.

## **SECTION 3. Payment for Services**

- A. District agrees to pay the District Engineer for their services rendered pursuant hereto on a time and material basis. These services shall be invoiced monthly on an accrual basis in accordance with the attached Schedule of Fees (Exhibit "A").
- B. Reimbursables shall be invoiced as an additional cost.
- C. As a part of this Contract, the District Engineer shall on an annual basis at the time that the District adopts its annual budget, provide a budgetary amount that will be approved by the Board of Directors for the provision of these services. The District Engineer is required to strictly comply with the budget approved by the District Board of Directors.
- D. District Engineer shall on a monthly basis provide a written report to the Board describing all District Engineer services provided for during the previous month. That report shall detail the monies associated with each



cost. No payment shall be paid to the District Engineer unless and until that report is received by the Board of Directors and approved.

- E. District Engineer shall incur no costs or reimbursables that are in excess of the budgetary amount without prior approval of the Board unless it is in an emergency situation, in which case any additional budgetary amount shall be presented to the Board at the earliest opportunity.

#### **SECTION 4. PERFORMANCE REVIEW**

- A. During the term of this Contract, there shall be a performance review of the District Engineer annually no later than November 30th.
- B. The Board of Directors reserves the right, in its discretion, to review District Engineer's performance at any time.

#### **SECTION 5. OTHER TERMS, CONDITIONS AND RESPONSIBILITIES**

The District may set other terms, conditions and responsibilities of the contract as it may determine from time to time, relating to performance of District Engineer, provided such terms and conditions are not inconsistent with or in conflict with the provisions of this Contract, or any Federal, State or local law.

#### **SECTION 6. GENERAL INDEMNITY, HOLD HARMLESS AND INSURANCE PROVISIONS**

##### **A. General Indemnity and Hold Harmless**

The following applies to general liability claims other than professional liability claims:

To the fullest extent permitted by law (including, without limitation, California Civil Code Sections 2782.8). Engineer shall defend (with legal counsel reasonably acceptable to the District), indemnify and hold harmless District and its officers, agents, departments, officials, representatives and employees (collectively "Indemnitees") from and against any and all claims, loss, cost, damage, injury (including, without limitation, injury to or death of an employee of Engineer or its sub consultants), expense and liability of every kind, nature and description (including, without limitation, fines, penalties, incidental and consequential damages, court costs, reasonable attorneys fees, litigation expenses and fees of expert consultants or expert witnesses incurred in connection therewith, and costs of investigation), that arise out of, pertain to, or relate to the negligence, recklessness, or willful misconduct of Engineer, any sub consultant, anyone directly or indirectly employed by them, or anyone that they control (collectively "Liabilities"). Such obligations to defend, hold harmless and indemnify any Indemnitee shall not apply to the extent that such Liabilities are caused by the negligence or willful misconduct of such Indemnitee. In the event of any dispute between Engineer and Indemnitees, as to whether liability arises

from the negligence of the Indemnitees, Engineer will be obligated to pay for the Indemnitees' defense until such time as a final judgment has been entered adjudicating the Indemnitees as negligent.

**B. Indemnification Pertaining to Professional Liability (Services).**

The following applies to professional liability claims where professional malpractice or breach of professional performance standards as identified in Section 6 are alleged:

1. Engineer shall indemnify and hold harmless the South San Luis Obispo County Sanitation District, the Board of Directors, each member thereof, present and future, its officers, agents and employees from and against any and all liability, expenses, including defense costs and legal fees, and claims for damages whatsoever to the extent caused by the negligent acts or omissions, or willful misconduct of Engineer, its officers, employees, agents, subcontractors, or vendors in performing professional Services pursuant to this Agreement. Engineer has no obligation to pay for any of the indemnitees defense related costs prior to a final determination of liability or to pay any amount that exceeds Engineer's final determined percentage of liability based upon the comparative fault of Engineer.
2. Nothing contained in the foregoing indemnity provisions shall be construed to require Engineer to indemnify the South San Luis Obispo County Sanitation District, against any responsibility or liability in contravention of Civil Code §2782.
3. Neither termination of this Agreement or completion of the Scope of Services under this Agreement shall release Engineer from its obligations referenced in subsection A, above, as to any claims, so long as the event upon which such claims is predicated shall have occurred prior to the effective date of any such termination or completion and arose out of or was in any way connected with performance or operations under this Agreement by Engineer, its employees, agents or Engineers, or the employee, agent or Engineer of any one of them.
4. Submission of insurance certificates or submission of other proof of compliance with the insurance requirements in the Agreement does not relieve Engineer from liability referenced in subsection A, above. The obligations of this article shall apply whether or not such insurance policies shall have been determined to be applicable to any of such damages or claims for damages.

### **C. Insurance.**

Engineer shall procure and maintain with insurance companies authorized to do business in the State of California and assigned an A.M. Best's rating of no less than A-(IX), the following insurance coverage, written on the ISO form shown below (or its equivalent) at the limits of liability specified for each:

<b>Commercial General Liability Insurance</b> (ISO Form CG 0001 11/85)	\$ 1 Million per occurrence \$ 2 Million in the aggregate
<b>Commercial Automobile Liability Insurance</b> (ISO Form CA 0001 12/90)	\$ 1 Million per accident
<b>Workers' Compensation Insurance</b>	Statutory
<b>Employer's Liability Insurance</b>	\$ 1 Million policy limit
<b>Professional Liability Insurance</b>	\$ 1 Million per occurrence \$ 2 Million in the aggregate

### **SECTION 7. GENERAL PROVISIONS**

- A. District Engineer shall comply with applicable local and state requirements regarding conflicts of interest and shall avoid involvement in situations or demonstrate behavior which is inconsistent or incompatible with the position of District Engineer.
- B. The terms of this Contract are intended by the parties as a final expression of their Contract and may not be contradicted by evidence of any prior Contract or contemporaneous oral Contract. The parties further intend that this Contract constitutes the complete and exclusive statement of its terms and that no extrinsic evidence whatsoever may be introduced in any judicial or arbitration proceeding, if any, involving this Contract. Any amendments to this Contract must be in writing and executed by both parties.
- C. If any term, covenant, condition or provision of this Contract is held by a court of competent jurisdiction to be invalid, void or unenforceable, the remainder of the provisions hereof shall remain in full force and affect and shall in no way be affected, impaired or invalidated thereby.
- D. This Contract shall be governed by the laws of the State of California. The parties agree that in the event any legal action is taken to enforce/interpret any provisions of this Contract, said action shall be filed in the court of proper jurisdiction within the County of San Luis Obispo.
- E. The parties acknowledge that they understand the significance and consequences of this Contract. The parties also acknowledge that they have been given full opportunity to review and negotiate this Contract and execute it only after full reflection and analysis, and that they have had an opportunity to review this document and its application and meaning with their respective attorneys and advisors. This Contract shall not be

interpreted against the party who prepared the initial draft, because all parties participated in the drafting of this Contract by having ample opportunity to review and submit suggested changes or corrections for incorporation into the final version of this Contract.

## **SECTION 8. NOTICES**

Notices pursuant to this Contract shall be in writing given by deposit in the custody of the United States Postal Service, postage prepaid, addressed as follows:

1. South San Luis Obispo County Sanitation District  
P.O. Box 339  
Oceano, CA 93445
2. John Wallace  
WALLACE GROUP  
612 Clarion Court  
San Luis Obispo, CA 93401


Alternatively, notices required pursuant to this Contract may be personally served in the same manner as is applicable to civil judicial process. Notice shall be deemed given as of the date of personal service or as of the third day following the date of deposit of such written notice in the course of transmission in the United States Postal Service, with postage fully prepaid.

## **SECTION 9. CONCLUSION**


- A. The above Recitals are true and correct and incorporated herein by reference.
- B. This Contract may be executed in two or more counterparts, each of which shall be deemed an original, and all of which together shall constitute one and the same instrument, and shall be governed by the laws of the State of California.

**IN WITNESS WHEREOF**, the parties hereto have executed this Contract on the below identified dates.

DISTRICT ENGINEER:

  
JOHN WALLACE

DISTRICT:

  
BILL NICOLLS, Chairman

DATE: 7/26, 2011

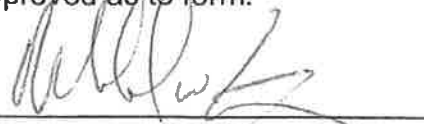
DATE: 7/21/11, 2011

Witness:



Secretary to the Board

Approved as to form:



MICHAEL W. SEITZ,  
District Legal Counsel

DATE: 7/26, 2011

DATE: 7/21, 2011



1           A     That's correct.

2           Q     You mentioned that your direct supervisor at  
3 the plant was John Wallace, correct?

4           A     That's correct.

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16           A     Because I was voicing criticism of the quality  
17 of the construction project and the engineering and  
18 administration of the chlorine contact chamber.

19           Q     Describe to me what a chlorine contact chamber  
20 is.

21           A     A chlorine contact chamber is part of the  
22 wastewater treatment plant process where the water  
23 receives disinfection to prevent pathogens and diseases  
24 before it reaches its final point of discharge.

25                   When the district's plant was originally built

1 it didn't have one, and in the early part of 2000 a  
2 major budget item was put on the list to meet water  
3 quality standards that we would construct a chlorine  
4 contact chamber. It was about  
5 two-and-a-half-million-dollar project.

6 Q And was the project successfully completed?

7 A No, it was not.

8 Q How was it not completed? Was it not  
9 completed at all, was it done poorly?

10 A The project was eventually completed.  
11 Throughout the course of the project I had many  
12 complaints and many concerns, not only about the  
13 contractors, the construction company that was actually  
14 performing the work, but about the way the construction  
15 management was being performed, about the quality of  
16 work that was being allowed to take place by the  
17 construction management inspectors. They were very  
18 difficult and very problematic to work with, and I made  
19 numerous complaints to both Tom Zehnder and John Wallace  
20 throughout the course of the construction project.

21 Q Okay.

22 A When the construction project was completed, I  
23 still did not feel that it had been adequately  
24 constructed, but I was informed that we were putting it  
25 online. John Wallace informed me of that. So we put it



1 online and it was online for about four months and I  
2 finally made an executive-level decision and took it  
3 off-line, I shut it down because we were receiving fecal  
4 coliform violations left and right, and it was obvious  
5 that it wasn't working right, so I would say that the  
6 construction was not successful.

7 Q How much was the value of the project?

8 A Roughly, about two and a half million dollars.

9 Q And it was a regular, low-bid contract?

10  
11  
12  
13 monetary impact to you?

14 A Yes, there was.

15 Q And what type of monetary impact?

16 A John Wallace informed me that, as the district  
17 administrator, it was his responsibility to decide who  
18 was going to be able to work weekends and overtime and  
19 receive standby pay, which every plant superintendent  
20 for the past four years had done, but that he had  
21 decided that I was no longer eligible for standby pay or  
22 weekend work or overtime pay, and it was a docking of  
23 about \$700 or \$800 a month for me.

24 Q Did he attempt to demote you at that time?

25 A No, he did not.

1 Q Were there any repairs that needed to be done  
2 in order to get the -- what was it, a chlorine contact  
3 chamber to work properly or was the entire project just  
4 scrapped?

5 A No, the project had to have a significant  
6 retrofit that involved major construction, removing of  
7 major parts of the component and replacing them with  
8 totally new designs. It was a significant retrofit.  
9 The district staff performed it, my operators, and we  
10 spent a total of about an extra \$500,000 on retrofit.

11 Q So the retrofit work didn't go out to bid, the  
12 district staff did that work in addition to their  
13 regular duties?

14 A That's correct.

15 Q Did you complain about using your employees to  
16 do the retrofit work?

17 A Yes, I did.

18 Q And did Mr. Wallace make any comments to you  
19 about that?

20 A Yes, he did.

21 Q And what were those comments?

A John Wallace stated that we were going to save  
the district money and that if the operators had to work  
a little harder, it was okay. He again pointed towards  
my

1 responsibility to make the operators have the same  
2 team-oriented goals and achievements that he and his  
3 staff would have. He stressed very firmly that I had  
4 not worked to make his staff members successful, his  
5 engineers successful and that I should be working harder  
6 to make the Wallace projects be successful.

Pages 66-72 of "Kennedy  
Court Reporters, Inc." redacted.

Exhibit Marked "Exhibit 1D,  
8-14-12 Appleton" redacted

Personnel and litigation material

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August, 2005 Statement

SOUTH SAN LUIS OBISPO COUNTY  
SANITATION DISTRICT

Attn: BUSINESS OFFICE  
P. O. BOX 339  
OCEANO,

CA 93445

Account Number : XXXXXXXXXX

**Transactions**

Effective Date	Transaction Date	Tran Type	Confirm Number	Authorized Caller	Amount
08-23-2005	08-23-2005	RW	1039725	JOHN L. WALLACE	- 50,000.00

**Account Summary**

Total Deposit :	0.00	Beginning Balance :	8,802,502.48
Total Withdrawal :	- 50,000.00	Ending Balance :	<b>8,752,502.48</b>

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October, 2005 Statement

SOUTH SAN LUIS OBISPO COUNTY  
 SANITATION DISTRICT

Attn: BUSINESS OFFICE  
 P. O. BOX 339  
 OCEANO, CA 93445

Account Number : [REDACTED]

**Transactions**

Effective Date	Transaction Date	Tran Type	Confirm Number	Authorized Caller	Amount
10-04-2005	10-04-2005	RW	1044256	JOHN L. WALLACE	- 50,000.00
10-14-2005	10-13-2005	QRD	1045714	SYSTEM	70,626.36

**Account Summary**

Total Deposit :	70,626.36	Beginning Balance :	8,752,502.48
Total Withdrawal :	- 50,000.00	Ending Balance :	8,773,128.84

19- 4784.94  
 20- 43 400.75  
 26- 22 440.67

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January, 2007 Statement

 SOUTH SAN LUIS OBISPO COUNTY  
 SANITATION DISTRICT

Account Number [REDACTED]

 Attn: BUSINESS OFFICE  
 P. O. BOX 339  
 OCEANO, CA 93445
**Transactions**

Effective Date	Transaction Date	Tran Type	Confirm Number	Authorized Caller	Amount
01-02-2007	12-29-2006	RW	1103340	JOHN L. WALLACE	500,000.00 - 550,000.00
01-12-2007	01-11-2007	QRD	1105720	SYSTEM	97,114.84

**Account Summary**

Total Deposit :	97,114.84	Beginning Balance :	7,515,469.76
Total Withdrawal :	- 550,000.00	Ending Balance :	7,062,584.60

20 = 68.226  
 26 = 31.874

66,257.57  
 30 857.27



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February, 2008 Statement

SOUTH SAN LUIS OBISPO COUNTY  
SANITATION DISTRICT

Attn: BUSINESS OFFICE  
P. O. BOX 339  
OCEANO, CA 93445

Account Number : [REDACTED]

**Transactions**

Effective Date	Transaction Date	Tran Type	Confirm Number	Authorized Caller	Amount
02-05-2008	02-05-2008	RW	1158743	JOHN L. WALLACE	- 50,000.00

**Account Summary**

Total Deposit :	0.00	Beginning Balance :	6,921,080.13
Total Withdrawal :	- 50,000.00	Ending Balance :	<b>6,871,080.13</b>

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March, 2008 Statement

SOUTH SAN LUIS OBISPO COUNTY  
SANITATION DISTRICT

Attn: BUSINESS OFFICE  
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OCEANO, CA 93445

Account Number : [REDACTED]**Transactions**

Effective Date	Transaction Date	Tran Type	Confirm Number	Authorized Caller	Amount
03-03-2008	02-29-2008	RW	1161466	JOHN L. WALLACE	- 50,000.00
03-27-2008	03-26-2008	RW	1163969	JOHN L. WALLACE	- 50,000.00
03-27-2008	03-28-2008	RWA	1164204	JOHN L. WALLACE	50,000.00
03-28-2008	03-28-2008	RWX	1164206	JOHN L. WALLACE	- 50,000.00

**Account Summary**

Total Deposit :	0.00	Beginning Balance :	6,871,080.13
Total Withdrawal :	- 100,000.00	Ending Balance :	6,771,080.13

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June 02, 2009

SOUTH SAN LUIS OBISPO COUNTY  
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PMIA Average Monthly Yields

Account Number: 

Transactions  
Tran Type Definitions

December 2008 Statement

Effective Date	Transaction Date	Tran Type	Confirm Number	Authorized Caller	Amount
12/9/2008	12/8/2008	RW	1201877	JOHN L. WALLACE	-50,000.00
12/19/2008	12/17/2008	RW	1203098	JOHN L. WALLACE	-120,000.00

Account Summary

Total Deposit:	0.00	Beginning Balance:	6,170,531.54
Total Withdrawal:	-170,000.00	Ending Balance:	6,000,531.54



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February 11, 2009

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OCEANO,, CA 93445

PMIA Average Monthly Yields

Account Number: [REDACTED]

Transactions

January 2009 Statement

Tran Type Definitions

Effective Date	Transaction Date	Tran Type	Confirm Number	Authorized Caller	Amount
1/15/2009	1/14/2009	QRD	1207144	SYSTEM	39,497.12
1/20/2009	1/16/2009	RW	1208919	JOHN L. WALLACE	-50,000.00

Account Summary

Total Deposit:	39,497.12	Beginning Balance:	6,000,531.54
Total Withdrawal:	-50,000.00	Ending Balance:	5,990,028.66

20 = 68.22690  
26 = 31.77490  
26 949 31  
12 549 81

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PMIA Average Monthly Yields

Account Number: 

Transactions  
Tran Type Definitions

February 2009 Statement

Effective Date	Transaction Date	Tran Type	Confirm Number	Authorized Caller	Amount
2/17/2009	2/17/2009	RW	1211931	JOHN L. WALLACE	-150,000.00

Account Summary

Total Deposit:	0.00	Beginning Balance:	5,990,028.66
Total Withdrawal:	-150,000.00	Ending Balance:	5,840,028.66

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PMIA Average Monthly Yields

Account Number: [REDACTED]

Transactions  
Tran Type Definitions

April 2009 Statement

Effective Date	Transaction Date	Tran Type	Tran Number	Confirm Number	Authorized Caller	Amount
4/15/2009	4/14/2009	QRD	1220035		SYSTEM	27,863.63
4/28/2009	4/23/2009	RW	1221574		JOHN L. WALLACE	-50,000.00

Account Summary

Total Deposit:	27,863.63	Beginning Balance:	5,840,028.66
Total Withdrawal:	-50,000.00	Ending Balance:	5,817,892.29

20 = 68.226 %  
26 = 31.774 %

19,010.24  
8,853.39

**Local Agency Investment Fund**

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October 06, 2010

**PMIA Average Monthly Yields**Account Number: **Transactions**Tran Type Definitions

November 2009 Statement

Effective Date	Transaction Date	Tran Type	Confirm Number	Authorized Caller	Amount
11/9/2009	11/6/2009	RW	1247544	JOHN L. WALLACE	-250,000.00

**Account Summary**

Total Deposit:	0.00	Beginning Balance:	5,452,464.05
Total Withdrawal:	-250,000.00	Ending Balance:	5,202,464.05

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February 10,  
2010

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PMIA Average Monthly Yields

Account Number [REDACTED]

Transactions  
Tran Type Definitions

January 2010 Statement

Effective Date	Transaction Date	Tran Type	Confirm Number	Authorized Caller	Amount
1/4/2010	12/29/2009	RW	1252650	JOHN L. WALLACE	-50,000.00
1/15/2010	1/14/2010	QRD	1255586	SYSTEM	8,075.95

Account Summary

Total Deposit:	8,075.95	Beginning Balance:	5,152,464.05
Total Withdrawal:	-50,000.00	Ending Balance:	5,110,540.00

20 = 69.226<sup>90</sup>  
26 = 31.774<sup>05</sup>

2566<sup>90</sup>  
2566<sup>05</sup>



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October 06, 2010

PMIA Average Monthly Yields

Account Number 

Transactions

June 2010 Statement

Tran Type Definitions

Effective Date	Transaction Date	Tran Type	Confirm Number	Authorized Caller	Amount
6/10/2010	6/9/2010	RW	1274395	JOHN L. WALLACE	-50,000.00

Account Summary

Total Deposit:	0.00	Beginning Balance:	4,867,492.70
Total Withdrawal:	-50,000.00	Ending Balance:	4,817,492.70

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August 12, 2010

PMIA Average Monthly Yields

Account Number 

Transactions

Tran Type Definitions

July 2010 Statement

Effective Date	Transaction Date	Tran Type	Confirm Number	Authorized Caller	Amount
7/15/2010	7/14/2010	QRD	1278258	SYSTEM	6,791.53
7/19/2010	7/15/2010	RW	1280815	JOHN L. WALLACE	-50,000.00

Account Summary

Total Deposit:	6,791.53	Beginning Balance:	4,817,492.70
Total Withdrawal:	-50,000.00	Ending Balance:	4,774,284.23

20 = 69.226  
26 = 31.774

4633.59  
2157.94

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August 10, 2011

**PMIA Average Monthly Yields****Account Number:** **Transactions**

October 2010 Statement

Tran Type Definitions

<b>Effective Date</b>	<b>Transaction Date</b>	<b>Tran Type</b>	<b>Confirm Number</b>	<b>Authorized Caller</b>	<b>Amount</b>
10/12/2010	10/7/2010	RW	1289187	JOHN L. WALLACE	-50,000.00
10/15/2010	10/14/2010	QRD	1290162	SYSTEM	6,135.10

**Account Summary**

Total Deposit:	6,135.10	Beginning Balance:	4,674,284.23
Total Withdrawal:	-50,000.00	Ending Balance:	4,630,419.33

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August 10, 2011

PMIA Average Monthly YieldsAccount Number Transactions

November 2010 Statement

Tran Type Definitions

Effective Date	Transaction Date	Tran Type	Confirm Number	Authorized Caller	Amount
1/8/2010	11/8/2010	RW	1294799	JOHN L. WALLACE	-50,000.00

Account Summary

Total Deposit:	0.00	Beginning Balance:	4,630,419.33
Total Withdrawal:	-50,000.00	Ending Balance:	4,580,419.33

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August 10, 2011

**PMIA Average Monthly Yields**Account Number **Transactions**Tran Type Definitions

December 2010 Statement

Effective Date	Transaction Date	Tran Type	Confirm Number	Authorized Caller	Amount
12/7/2010	12/3/2010	RW	1297181	JOHN L. WALLACE	-50,000.00

**Account Summary**

Total Deposit:	0.00	Beginning Balance:	4,580,419.33
Total Withdrawal:	-50,000.00	Ending Balance:	4,530,419.33

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August 10, 2011

**PMIA Average Monthly Yields****Account Number** [REDACTED]**Transactions**

January 2011 Statement

**Tran Type Definitions**

<b>Effective Date</b>	<b>Transaction Date</b>	<b>Tran Type</b>	<b>Confirm Number</b>	<b>Authorized Caller</b>	<b>Amount</b>
12/3/2011	12/29/2010	RW	1299730	JOHN L. WALLACE	-50,000.00
1/14/2011	1/13/2011	QRD	1301518	SYSTEM	5,276.02

**Account Summary**

Total Deposit:	5,276.02	Beginning Balance:	4,530,419.33
Total Withdrawal:	-50,000.00	Ending Balance:	4,485,695.35

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August 10, 2011

PMIA Average Monthly YieldsAccount Number Transactions

February 2011 Statement

Tran Type Definitions

Effective Date	Transaction Date	Tran Type	Confirm Number	Authorized Caller	Amount
1/1/2011	1/31/2011	RW	1305476	JOHN L. WALLACE	-50,000.00
2/28/2011	2/28/2011	RW	1307939	JOHN L. WALLACE	-50,000.00

Account Summary

Total Deposit:	0.00	Beginning Balance:	4,485,695.35
Total Withdrawal:	-100,000.00	Ending Balance:	4,385,695.35

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August 10, 2011

PMIA Average Monthly Yields

Account Number: [REDACTED]

Transactions

July 2011 Statement

Tran Type Definitions

Effective Date	Transaction Date	Tran Type	Tran Number	Confirm	Authorized Caller	Amount
7/6/2011	7/6/2011	RW	1322369		JOHN L. WALLACE	-200,000.00
7/15/2011	7/14/2011	QRD	1323565		SYSTEM	5,127.37
7/18/2011	7/15/2011	RW	1326042		JOHN L. WALLACE	-60,000.00

Account Summary

Total Deposit:	5,127.37	Beginning Balance:	4,241,245.27
Total Withdrawal:	-260,000.00	Ending Balance:	3,986,372.64

20 = 68.226%  
26 = 31.774%  
3498.20  
1629.17



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February 15,  
2012

PMIA Average Monthly Yields

Account Number 

Transactions

Tran Type Definitions

September 2011 Statement

Effective Date	Transaction Date	Tran Type	Confirm Number	Authorized Caller	Amount
9/12/2011	9/8/2011	RW	1331174	BILL NICOLLS	-50,000.00

Account Summary

Total Deposit:	0.00	Beginning Balance:	3,986,372.64
Total Withdrawal:	-50,000.00	Ending Balance:	3,936,372.64